2011

ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

Québec

ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

2011

This document is produced by the ministère des Finances.

The figures shown in this document are those available as of June 1st, 2011.

Acknowledgments for the photos on page 14:
- Construction site for the Romaine-2 dam and spillway - Hydro-Québec (right)
- Raglan mine in Nunavik - Xstrata Nickel (bottom)

For information, contact:
Secrétariat général et coordination ministérielle

12, rue Saint-Louis, bureau 2.08
Québec (Québec) G1R 5L3
Phone: 418 691-2250
Fax: 418 646-0923
Email: srl@finances.gouv.qc.ca

This document is available on the Web at:
www.finances.gouv.qc.ca

Subscription available

Legal deposit
Bibliothèque et Archives nationales du Québec
June 2011
ISBN 978-2-550-61899-7 (Print)
ISBN 978-2-550-61900-0 (PDF)

© Gouvernement du Québec

SECTIONS

1. **ECONOMY**

QUÉBEC, A PRIME BUSINESS ENVIRONMENT

2. **PUBLIC FINANCES**

QUÉBEC, A PRUDENT AND DISCIPLINED MANAGER

3. **FINANCING**

QUÉBEC, AN ONGOING PRESENCE ON CANADIAN AND INTERNATIONAL MARKETS

QUÉBEC HAS A CREATIVE, INNOVATIVE AND COMPETITIVE ECONOMY, OPEN TO THE WORLD.

QUÉBEC IN 2011

1.

THE LARGEST PROVINCE IN CANADA BY SURFACE AREA, QUÉBEC RANKS SECOND ON THE BASIS OF POPULATION WITH ALMOST 8 MILLION PEOPLE.

2.

QUÉBEC'S GROSS DOMESTIC PRODUCT IS $320 BILLION, REPRESENTING OF CANADA'S ECONOMY.

3.

A NATURAL GATEWAY TO NORTH AMERICA, QUÉBEC OFFERS PREFERRED ACCESS TO A MARKET OF 460 MILLION CONSUMERS THROUGH ITS PARTICIPATION IN THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA).

TODAY'S QUÉBEC

A DYNAMIC ECONOMY, A VAST TERRITORY, ABUNDANT NATURAL RESOURCES, RIGOROUS MANAGEMENT OF PUBLIC FINANCES AND REMARKABLE HUMAN CAPITAL

4.

THE QUÉBEC GOVERNMENT HAS UNDERTAKEN TO RETURN TO FISCAL BALANCE BY 2013-2014 WHILE MAINTAINING THE QUALITY OF PUBLIC SERVICES.

5.

INVESTING IN QUÉBEC MEANS TAKING ADVANTAGE OF COMPETITIVE TAX TREATMENT FOR INVESTMENT, AND LOW BUSINESS LOCATION AND OPERATING COSTS.

6.

QUÉBEC STANDS OUT WITH ITS HIGHLY EDUCATED WORKFORCE AND REMARKABLE DEVELOPMENT POTENTIAL IN ADVANCED SECTORS AND THE DEVELOPMENT OF NATURAL RESOURCES.

4 000 KM
3 000 KM
2 000 KM
1 000 KM
CANADA
QUÉBEC
VANCOUVER
CALGARY
QUÉBEC
MONTRÉAL
TORONTO
BOSTON
DETROIT
NEW YORK
CHICAGO
WASHINGTON
1 000 KM
UNITED STATES
LOS ANGELES
ATLANTA
2 000 KM
MEXICO
MEXICO
3 000 KM
4 000 KM

ECONOMY

5 Economic outlook

6 An economy driven by its human capital

7 An innovative economy

8 An economy focused on high technology

10 A competitive economy

11 An economy open to the world

12 Abundant natural resources

14 The Plan Nord

15 Hydro-Québec

ECONOMIC OUTLOOK

GROWTH IS SOLID IN QUÉBEC

Québec came out of the recession more quickly and in better shape than its main North American economic partners. Between the end of 2007 and the beginning of 2011:

- Québec's real GDP grew by 3.5% compared with 1.2% in Canada and 0.1% in the United States;
- employment gained 2.3% in Québec compared with 1.7% in Canada and 1.2% in Ontario.

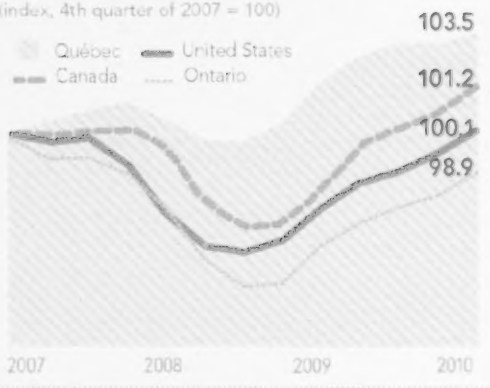
After rebounding by 2.8% in 2010, Québec's GDP should gain 2.0% in 2011 and 2.2% in 2012, thus returning to a pace comparable with its historical potential.

- Strong domestic demand will continue to sustain economic growth in Québec in 2011 and 2012. It will be based on both the strength of household consumption and business investment.
- Québec's exports will be stimulated by the good performance of partner economies and robust global demand for natural resources.

ECONOMIC INDICATORS
(percentage change)

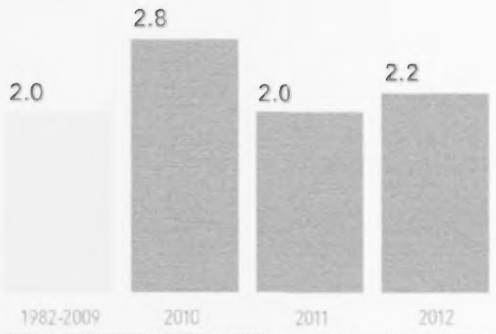
QUÉBEC	2010	2011	2012
Real gross domestic product	2.8	2.0	2.2
Gross domestic product	4.6	3.9	4.4
Real consumption	3.7	2.2	1.6
Housing starts (thousands)	51.4	45.1	41.0
Real non-residential investment	6.7	8.2	3.6
Real total exports	0.3	3.4	4.4
Unemployment rate	8.0	7.7	7.5
Job creation (thousands)	66.7	55.4	40.5
Consumer price index	1.2	2.7	2.7
CANADA	**2010**	**2011**	**2012**
Treasury bills – 3 months (%)	0.6	1.4	2.7
Bonds – 10 years (%)	3.2	3.6	4.6
Canadian dollar (in US cents)	96.5	100.4	99.6

REAL GDP – QUÉBEC AND ITS MAIN PARTNERS
(index, 4th quarter of 2007 = 100)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA, ONTARIO MINISTRY OF FINANCE AND HIS GLOBAL INSIGHT

REAL GDP – QUÉBEC
(percentage growth)



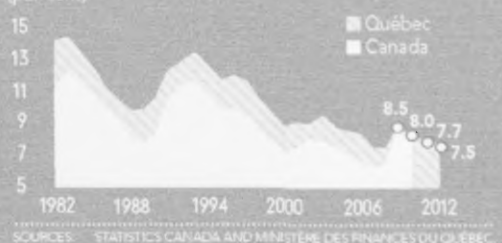
SOURCES: STATISTICS CANADA, INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES DU QUÉBEC

A ROBUST LABOUR MARKET

THE RECENT PERFORMANCE OF QUÉBEC LABOUR MARKET HAS BEEN REMARKABLE.

- IN 2010, THE UNEMPLOYMENT RATE WAS 8.0%, THE SAME AS THAT IN CANADA. THIS IS THE FIRST TIME THAT HAS HAPPENED SINCE THESE RECORDS HAVE BEEN KEPT. UNEMPLOYMENT SHOULD CONTINUE TO FALL, REACHING TO 7.5% IN 2012.
- IN ADDITION, THE LABOUR MARKET PARTICIPATION RATE AND THE EMPLOYMENT RATE HAVE ALSO REACHED THE CANADIAN AVERAGE. THIS IS AN IMPORTANT IMPROVEMENT OVER THE SITUATION IN RECENT DECADES.

UNEMPLOYMENT RATE IN QUÉBEC AND CANADA
(per cent)



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC

AN ECONOMY DRIVEN BY ITS HUMAN CAPITAL

Québec's workforce consists of a large pool of skilled, educated and experienced workers.

AN ECONOMY THAT WELCOMES QUALIFIED WORKERS AND THE PARTICIPATION OF EXPERIENCED WORKERS

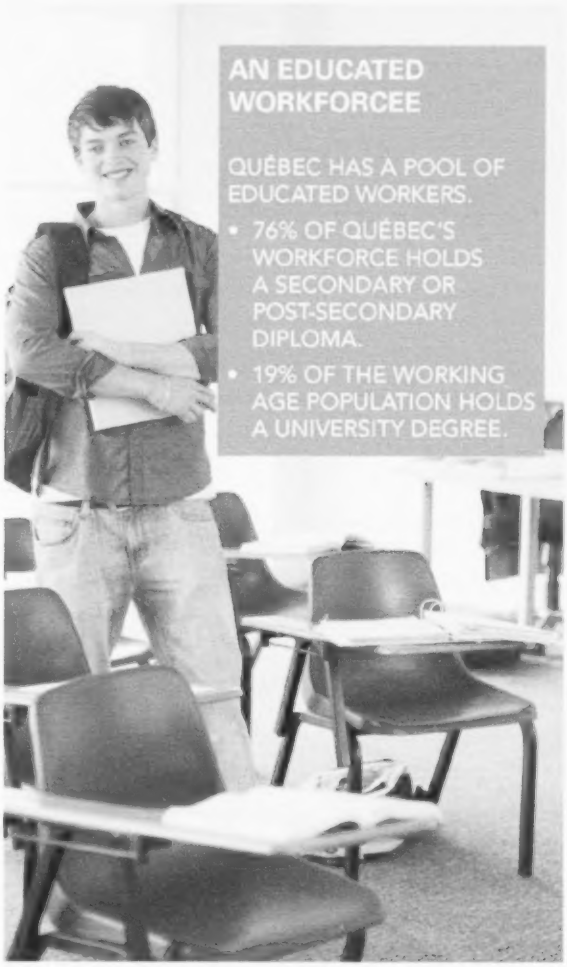
Québec attracts close to 50 000 immigrants a year from every country, contributing to the depth of its qualified labour pool. It has entered into agreements to foster labour mobility with Ontario and France.

Québec also relies on the know-how of experienced workers. For example, an earned income tax credit will be implemented starting in 2012 for workers age 65 or over.

In addition, businesses receive a refundable tax credit for manpower training in the manufacturing, mining and forest sectors.

QUÉBEC'S MULTILINGUAL POPULATION

- Almost half of Québec's population is fluent in at least two languages: 36% is bilingual while 11% is trilingual.
- Second-largest French-speaking city in the world after Paris, Montréal is a cosmopolitan metropolis with no less than 80 ethnic groups. The population of its metropolitan area is nearly 4 million people.



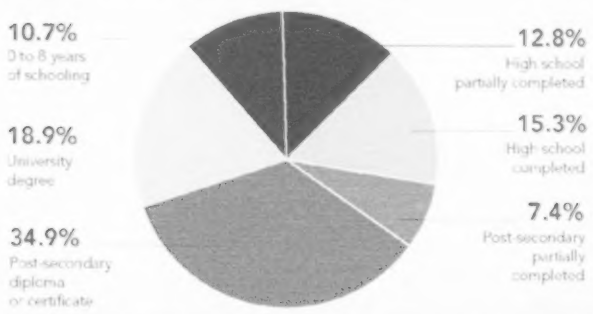
AN EDUCATED WORKFORCEE

QUÉBEC HAS A POOL OF EDUCATED WORKERS.

- 76% OF QUÉBEC'S WORKFORCE HOLDS A SECONDARY OR POST-SECONDARY DIPLOMA.
- 19% OF THE WORKING AGE POPULATION HOLDS A UNIVERSITY DEGREE.

DISTRIBUTION OF QUÉBEC'S WORKFORCE BY LEVEL OF SCHOOLING – 2010

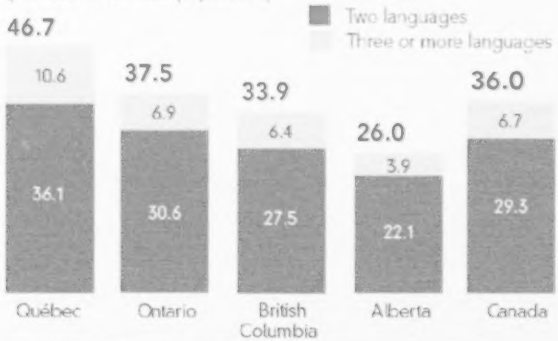
(per cent of the total population age 15 and over)



SOURCE STATISTICS CANADA

KNOWLEDGE OF TWO OR MORE LANGUAGES

(per cent of the total population)



SOURCE STATISTICS CANADA, 2006 CENSUS

AN INNOVATIVE ECONOMY

Over three years, additional investment in research and innovation in Québec will exceed $1 billion.

A LEADER AMONG INDUSTRIALIZED COUNTRIES

In 2008, Québec allocated 2.6% of its GDP to R&D, the highest level of all the Canadian provinces.

- It also exceeds the average rate in OECD countries, the G8 and European Union.

R&D SPENDING IN CANADA: QUÉBEC STANDS OUT

R&D spending is growing faster in Québec than in the other Canadian provinces.

- Since 1983, R&D spending in Québec, expressed as a percentage of GDP, has grown by an average of 3.6% per year compared with 2.0% for Ontario and 1.3% for Canada as a whole.
- Since 1995, Québec has been the province that, as a proportion of its GDP, has posted the highest level of R&D spending in Canada.

TAX TREATMENT THAT ENCOURAGES INNOVATION

Corporate R&D expenditures enjoy favourable tax treatment.

- It is the most competitive in Canada for small and medium enterprises and among the most competitive among the G8 countries for large enterprises.

The government is continuing its support for research and innovation. Last year, it announced investments of $1.1 billion over three years, in particular with the updating and extension of the programs of the Québec research and innovation strategy.

GROSS DOMESTIC EXPENDITURES ON R&D – 2008
(percentage of GDP)

Québec	2.6
Canada	1.9
Ontario	2.4
G8	2.5
OECD	2.3
European Union	1.8

SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC

VENTURE CAPITAL: A STRATEGY THAT IS PRODUCING RESULTS

QUÉBEC HAS ADOPTED AN AGGRESSIVE STRATEGY TO DEVELOP A MORE DIVERSIFIED VENTURE CAPITAL INDUSTRY WITH A GREATER EMPHASIS ON PRIVATE FINANCING.

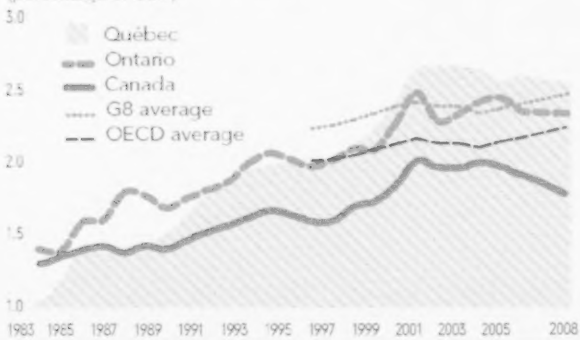
THE STRATEGY HAS MADE IT POSSIBLE TO DIVERSIFY AVAILABLE SOURCES OF FINANCING FOR QUÉBEC TECHNOLOGY COMPANIES AND THE RESULTS ARE CONVINCING.

- IN 2010, QUÉBEC RANKED SECOND IN TERMS OF MONEY INVESTED IN VENTURE CAPITAL IN CANADA. THE $391 MILLION INVESTED IN QUÉBEC ACCOUNTED FOR 34% OF THE TOTAL SUMS INVESTED IN CANADA DURING THE YEAR, A PROPORTION THAT EXCEEDS THAT OF QUÉBEC'S GDP IN THE CANADIAN ECONOMY, I.E. 20%.
- FROM 2002 TO 2010, THE SHARE OF PRIVATE OR FOREIGN INVESTMENT IN VENTURE CAPITAL FINANCING IN QUÉBEC ROSE FROM 49% TO 60%.

THE MAJOR MEASURES ANNOUNCED IN THE 2009-2010 AND 2011-2012 BUDGET SPEECHES WILL CONSOLIDATE, FOR THE YEARS AHEAD, THE CHANGE IN DIRECTION MADE REGARDING VENTURE CAPITAL, NAMELY:

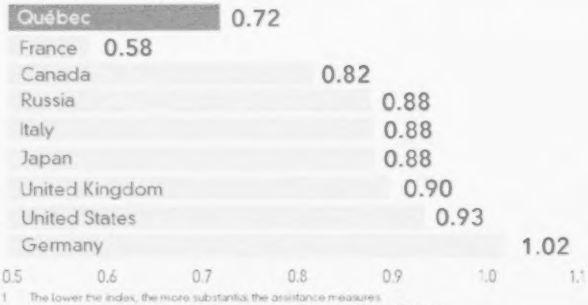
- THE CREATION OF AN $825-MILLION VENTURE CAPITAL FINANCING FUND;
- AN INVESTMENT OF $125 MILLION FOR THE CREATION OF THREE SEED FUNDS;
- AN INVESTMENT OF $30 MILLION FOR THE CREATION OF AN ANGEL INVESTOR FUND FOCUSED ON TECHNOLOGY BUSINESS SEEDING AND START-UP.

GROSS DOMESTIC EXPENDITURES ON R&D – 1983 TO 2008
(percentage of GDP)



SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC

NET COST FOR A LARGE ENTERPRISE OF AN R&D EXPENDITURE[1, 2]
(dollars)



1 The lower the index, the more substantial the assistance measures.
2 Rate in effect in 2008 for countries. Rate in effect on January 1, 2011 for Québec.

SOURCE: OECD SCIENCE, TECHNOLOGY AND INDUSTRY OUTLOOK 2010

AN ECONOMY FOCUSED ON HIGH TECHNOLOGIES

Advanced technologies make a positive contribution to Québec's economy.

LIFE SCIENCES

The pharmaceutical industry employs more than 8 000 people in Québec. Twenty-four of the largest pharmaceutical companies in the world have research or manufacturing facilities or their Canadian head office in Québec. Québec accounts for almost one third of Canada's output of pharmaceutical products and drugs.

Québec holds a leading position in North America in the biotechnology sector. More than half of the biotechnology firms in Québec specialize in human health.

- Theratechnologies, a Québec biotechnology company, obtained approval from the Food and Drug Administration (FDA) in December, 2010, for Egrifta™, the first and only treatment for excess abdominal fat in patients with lipodystrophy associated with HIV.

Moreover, many Québec biotechnology companies develop processes to improve human nutrition, agricultural and agri-food processing techniques, and add value to industrial waste.

- Marinard Biotech markets a premium-quality natural biological fibre (chitosan), under the Kitomer™ brand, resulting from the processing of shrimp.

The medical devices industry is enjoying robust growth. More than 115 companies in Québec, most of them SMEs, employ almost 5 500 people. Many multinationals have facilities in Québec, including 3M, Baxter International, Becton Dickinson, Covidien, Medtronic and Zimmer.

- In 2008, Medtronic acquired Cryocath, a Québec company, providing it with innovative technology for the safe and permanent treatment of cardiac arrhythmia by cryoablation. The technology has been approved in Europe and in December 2010, the company received marketing authorization in the United States.

AEROSPACE

AIRCRAFT AND PARTS ACCOUNT FOR 16.7% OF THE VOLUME OF QUÉBEC'S INTERNATIONAL EXPORTS OF GOODS.

THE AERONAUTICS SECTOR EMPLOYS MORE THAN 40 000 WORKERS IN QUÉBEC. THE SECTOR HAD SALES OF CLOSE TO $10.9 BILLION IN 2010.

- MORE THAN 50% OF CANADA'S AERONAUTICS WORKFORCE IS IN QUÉBEC.
- QUÉBEC ACCOUNTS FOR CLOSE TO 70% OF CANADIAN SHIPMENTS OF AERONAUTICAL PRODUCTS.

QUÉBEC'S AERONAUTICS INDUSTRY INCLUDES ALMOST 230 COMPANIES SPECIALIZED IN MAKING AIRPLANES, HELICOPTERS, ENGINES, PARTS AND FLIGHT SIMULATORS. MANY OF THEM ARE WORLD LEADERS IN THEIR SECTOR OF ACTIVITY:

- BOMBARDIER AEROSPACE, THE REGIONAL AND BUSINESS JET MARKET LEADER;
- BELL HELICOPTER TEXTRON CANADA, A MAJOR MANUFACTURER OF CIVIL HELICOPTERS;
- PRATT & WHITNEY CANADA, LEADER IN ENGINES FOR REGIONAL AIRCRAFT AND HELICOPTERS AND IN SMALL AND MEDIUM POWER TURBINES FOR BUSINESS AIRCRAFT.

THE GREATER MONTRÉAL REGION IS RECOGNIZED INTERNATIONALLY AS ONE OF THE MAJOR WORLD CENTRES OF AERONAUTICS, ALONG WITH SEATTLE, TOULOUSE AND WICHITA.

GREEN TECHNOLOGY

Québec adheres to the highest environmental protection standards. With Québec's clean hydroelectric energy, products manufactured in Québec have a small carbon footprint.

The Québec government has been firmly committed in this sense, putting in place a strategy for the development of Québec's green technology industry.

- Québec will be one of the few jurisdictions in North America to have reduced its greenhouse gas (GHG) emissions by 6% in 2012 compared with their 1990 level. It is also committed to a 20% reduction by 2020.
- The Québec government has implemented measures to accelerate the arrival of electric vehicles, foster the development of biofuels and develop a solar sector.

Many Québec companies have developed unique green technologies that allow them to hold an enviable position on the international environmental market.

- The bioenergy sector: the BIOCARDEL firm has developed an innovative technology for the production of biodiesel from waste oils; Bio-Terre Systems Inc. has developed a unique technology of low temperature anaerobic digestion; Enerkem is a world leader in the production of second-generation cellulosic ethanol.
- Water sector: Premier Tech Aqua, international leader in onsite decentralized wastewater treatment technologies; H2O Innovation, solidly established in the United States and recently in India, offers advanced membrane technologies for the production of drinking water and treatment of wastewater.

OPTICS-PHOTONICS

The optics-photonics industry in Québec is based on a network consisting of companies, industrial and university research centres, manpower training centres and economic promotion agencies.

Québec optics-photonics industry has several internationally renowned firms:

- Avensys, world leader in the production and marketing of optical components;
- ABB Bomem, specialist in analyzers for industrial processes;
- Creaform, a company recognized around the world for its digital 3D solutions;
- Photon etc., the scientific instrumentation company that produces a hyperspectral camera applicable to multiple markets and which has given rise to two companies, namely Savoir Photonique in the mining sector and Nüvü Cameras for the world's most sensitive astronomical camera, whose major client is NASA;
- The Institut national d'optique (INO), recognized Canadian leader in the design and development of optical and photonic technologies and solutions.

THE WIND POWER SECTOR IN QUÉBEC

STARTED IN 2003, THE DEVELOPMENT OF QUÉBEC'S VAST WIND POWER POTENTIAL HAS GIVEN RISE TO A NOTABLE INDUSTRY IN NORTH AMERICA. WITH INVESTMENTS ANNOUNCED IN 2010 OF NEARLY $10 BILLION, THAT WILL BE CARRIED OUT BY 2015 FOR THE INSTALLATION OF 4 000 MW, THIS SECTOR IS BOOMING. QUÉBEC'S WIND POWER INDUSTRY HAS MORE THAN 150 COMPANIES, MANY OF WHICH ARE MAJOR INTERNATIONAL PLAYERS, EMPLOYING NEARLY 4 000 PEOPLE.

- ENERCON, THE WORLD'S FIFTH-LARGEST MANUFACTURER OF WIND TURBINES, HAS A PLANT FOR MAKING CONCRETE TOWERS AND ASSEMBLING CONVERTERS IN MATANE. ITS FIRST MANUFACTURING CENTRE IN NORTH AMERICA. ENERCON'S NORTH AMERICAN HEADQUARTERS IS LOCATED IN MONTRÉAL.
- LM WIND POWER IS THE WORLD'S DOMINANT MANUFACTURER OF BLADES. LOCATED IN GASPÉ, THE PLANT, WHICH EMPLOYS 345 PEOPLE, HAS BEEN THE ONLY BLADE MANUFACTURING FACILITY IN CANADA SINCE 2006.
- MARMEN IS A MAJOR NORTH AMERICAN MANUFACTURER OF STEEL WIND TURBINE TOWERS. THE COMPANY'S PLANTS IN TROIS-RIVIÈRES AND MATANE HAVE MORE THAN 600 EMPLOYEES.
- OTHER WORLD CLASS COMPANIES INCLUDE REPOWER, GURIT, SIEMENS TRANSFORMERS, GE ENERGY, GL GARRAD HASSAN, ABB AND SOUCY-BELGEN.

MULTIMEDIA

ONE OF QUÉBEC'S MULTIMEDIA INDUSTRY'S AREAS OF EXCELLENCE IS UNDOUBTEDLY ENTERTAINMENT SOFTWARE. INDEED, ALMOST 70% OF LARGE CANADIAN VIDEO GAME COMPANIES AND MORE THAN HALF THE JOBS IN THIS INDUSTRY ARE LOCATED IN QUÉBEC.

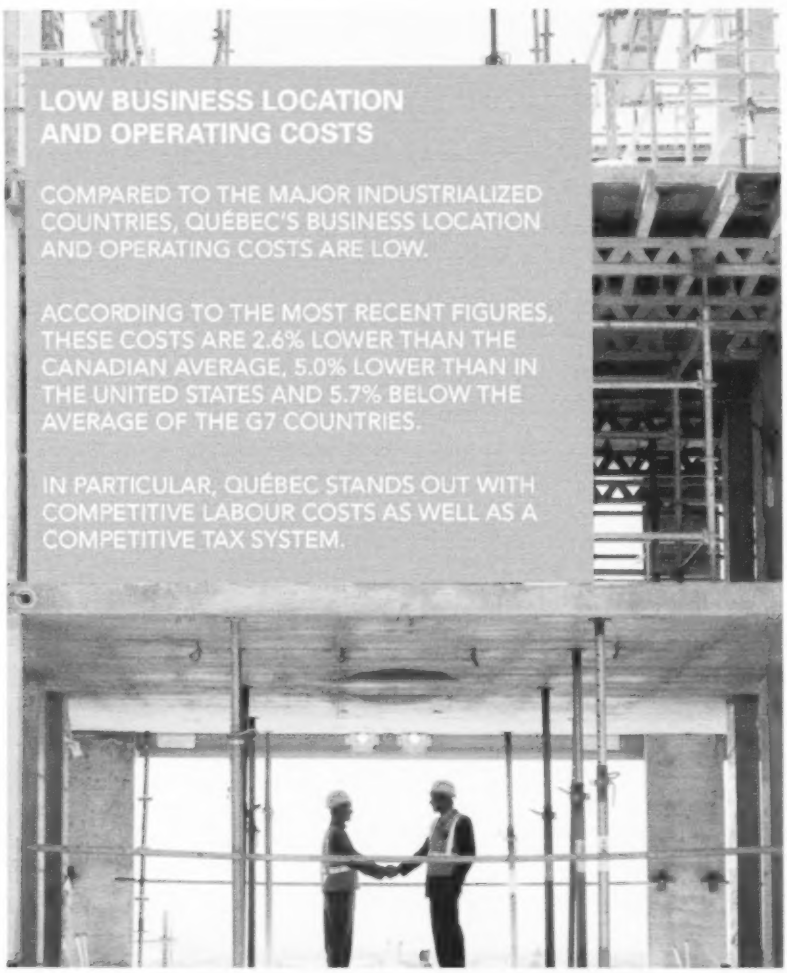
THE MONTRÉAL REGION HOSTS MAJOR VIDEO GAME COMPANIES RECOGNIZED GLOBALLY: BEHAVIOUR, UBISOFT, ELECTRONIC ARTS, THQ, EIDOS AND GAMELOFT.

- RECENTLY, INDUSTRY GIANT WARNER BROS. INTERACTIVE ENTERTAINMENT CHOSE MONTRÉAL AS THE LOCATION FOR A STUDIO FOR MULTIPLATFORM AND ONLINE GAMES.

WITH ITS CREATIVE WORKFORCE SPECIALIZED IN DIGITAL MEDIA AND ITS WELL-KNOWN UNIVERSITIES, QUÉBEC IS THE PERFECT PLACE TO DESIGN NEW PRODUCTS.

A COMPETITIVE ECONOMY

Many tax incentives enable Québec businesses to reduce their operating costs.



LOW BUSINESS LOCATION AND OPERATING COSTS

COMPARED TO THE MAJOR INDUSTRIALIZED COUNTRIES, QUÉBEC'S BUSINESS LOCATION AND OPERATING COSTS ARE LOW.

ACCORDING TO THE MOST RECENT FIGURES, THESE COSTS ARE 2.6% LOWER THAN THE CANADIAN AVERAGE, 5.0% LOWER THAN IN THE UNITED STATES AND 5.7% BELOW THE AVERAGE OF THE G7 COUNTRIES.

IN PARTICULAR, QUÉBEC STANDS OUT WITH COMPETITIVE LABOUR COSTS AS WELL AS A COMPETITIVE TAX SYSTEM.

A COMPETITIVE TAX SYSTEM FOR INVESTMENT

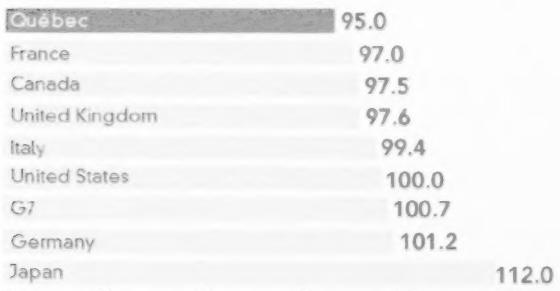
Companies in Québec operate under a globally competitive tax system for new investments.

The tax rate on investment in Québec is below the average rates of the United States and the OECD countries. Moreover, it is one of the lowest in Canada, mainly due to:

- the elimination of the tax on capital, since January 1, 2011, for all businesses;
- the rebate of the Québec sales tax on capital goods;
- an investment tax credit of 5% on acquisitions of manufacturing and processing equipment.

INDEX OF BUSINESS LOCATION AND OPERATING COSTS[1]

(United States = 100)



1 Average of 12 activity sectors.

SOURCES: KPMG 2010 COMPETITIVE ALTERNATIVES MODEL AND MINISTÈRE DES FINANCES DU QUÉBEC.

COMPARISON OF MARGINAL EFFECTIVE TAX RATES (METR)[1] ON INVESTMENT – 2012

(per cent)

Note: METRs according to the tax system in effect on May 15, 2011.

1 METRs are indicators of the impact of the tax system on new investments. They represent the effect of all tax expenses and rules affecting the return on invested capital. In particular, they take into account the tax on capital, sales tax, corporate income tax, depreciation rules and rates as well as accounting methods for inventory.

SOURCE: MINISTÈRE DES FINANCES DU QUÉBEC.

AN ECONOMY OPEN TO THE WORLD

Québec is developing and diversifying its export markets.

AN ECONOMY INTEGRATED WITH THE NORTH AMERICAN MARKET

Québec enjoys a unique geographical situation. It is one of the major gateways to the huge North American market.

- Québec has more than 3 000 km of coastline. The St-Lawrence River, estuary and gulf, which form the St-Lawrence Seaway, provide preferred access for the merchandise trade in North America.
- There are 55 airports in Québec, including two international platforms, namely Montréal's Pierre-Elliott-Trudeau international airport (third-largest in Canada) and Québec City's Jean-Lesage international airport.

Thanks, among other things, to the Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA), Québec's international exports have grown from 20% of GDP in 1988 to 29% in 2010.

INCREASINGLY DIVERSIFIED EXPORTS

THE PRODUCTS EXPORTED BY QUÉBEC AND THEIR DESTINATIONS ARE BECOMING INCREASINGLY DIVERSE. ALTHOUGH THE UNITED STATES REMAIN OUR LARGEST PARTNER, WITH 67.9% OF EXPORTS IN 2010, A GROWING SHARE OF QUÉBEC'S EXPORTS IS SHIPPED TO HIGH-GROWTH COUNTRIES SUCH AS CHINA, INDIA, BRAZIL, MEXICO AND SOUTH KOREA.

FROM 2000 TO 2010, QUÉBEC'S EXPORTS ROSE CONSISTENTLY, WITH THEIR PERCENTAGE:

- TO EUROPE RISING FROM 9.1% TO 15.2%;
- TO ASIA, EXCLUDING THE MIDDLE EAST, RISING FROM 2.5% TO 7.5%;
- TO OTHER COUNTRIES RISING FROM 2.9% TO 9.5%.

QUÉBEC EXPORTS A WIDE VARIETY OF PRODUCTS.

- AIRCRAFT AND PARTS, THE LARGEST EXPORT PRODUCTS, ACCOUNT FOR 16.7% OF THE TOTAL IN 2010.
- THE SECOND-LARGEST EXPORT SECTOR IS PRIMARY METALS, WITH 16.0%.
- NEXT COMES THE MACHINERY AND EQUIPMENT SECTOR, WITH 15.7%.

THE OUTLOOK FOR QUÉBEC'S EXPORT IS VERY ENCOURAGING, IN PARTICULAR BECAUSE OF GROWING DEMAND FOR RAW MATERIALS FROM EMERGING ECONOMIES.

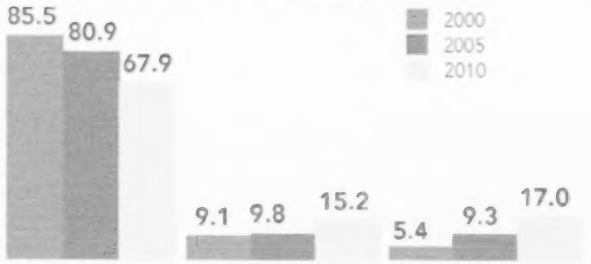
QUÉBEC'S PORTS

QUÉBEC HAS FIVE INTERNATIONAL PORTS. IN PARTICULAR:

- THE PORT OF MONTRÉAL IS THE MOST DIRECT INTERMODAL LINK BETWEEN THE INDUSTRIAL HEART OF NORTH AMERICA AND MARKETS OF NORTHERN EUROPE AND THE MEDITERRANEAN;
- THE PORT OF SEPT-ÎLES IS THE LARGEST ORE PORT IN NORTH AMERICA.
  - IN 2011, THIS PORT'S CAPACITY WILL BE INCREASED THANKS TO INVESTMENT OF $220 MILLION FOR THE CONSTRUCTION OF A MULTI-USER DEEP-WATER WHARF ABLE TO ACCOMMODATE THE NEXT GENERATION OF BULK CARRIERS.
  - OVER THE NEXT FIVE YEARS, INVESTMENTS OF $500 TO $600 MILLION ARE PLANNED FOR THE PORT SITE, IN PARTNERSHIP WITH PRIVATE INVESTORS AND USERS.

SHARE OF INTERNATIONAL EXPORTS ACCORDING TO TRADING PARTNERS

(as a percentage of international exports of goods)

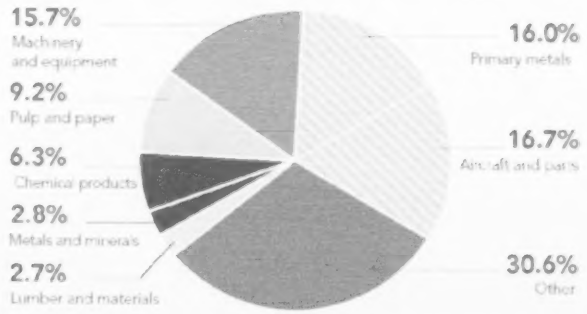


Note: Asia, excluding the Middle East, and other countries include Brazil, Mexico and Australia.

SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES DU QUÉBEC

BREAKDOWN OF EXPORTS BY PRODUCT – 2010

(as a percentage of international exports of goods, in real terms)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES DU QUÉBEC

ABUNDANT NATURAL RESOURCES

STRONG GLOBAL DEMAND FOR COMMODITIES - AN OPPORTUNITY FOR QUÉBEC

In 2010, strong global demand for commodities caused rapid growth in the prices of the major ores extracted and processed in Québec, in particular iron (+ 48.9%), nickel (+ 48.2%), copper (+ 45.6%), aluminum (+ 30.0%), zinc (+ 29.8%) and gold (+ 26.0%).

This demand is reflected in the value of mining output in Québec, which rose by almost 70% between 2005 and 2010.

- Natural resources account for close to 23% of the volume of Québec's international exports.

Québec is a major player on the aluminum and iron market, with respectively close to 80% and 40% of Canadian exports in 2010.

At the same time, Québec's importance in the nickel and zinc markets should grow over the next few years, as these metals are among those most in demand.

COMMODITY PRICES – 2010
(percentage change)

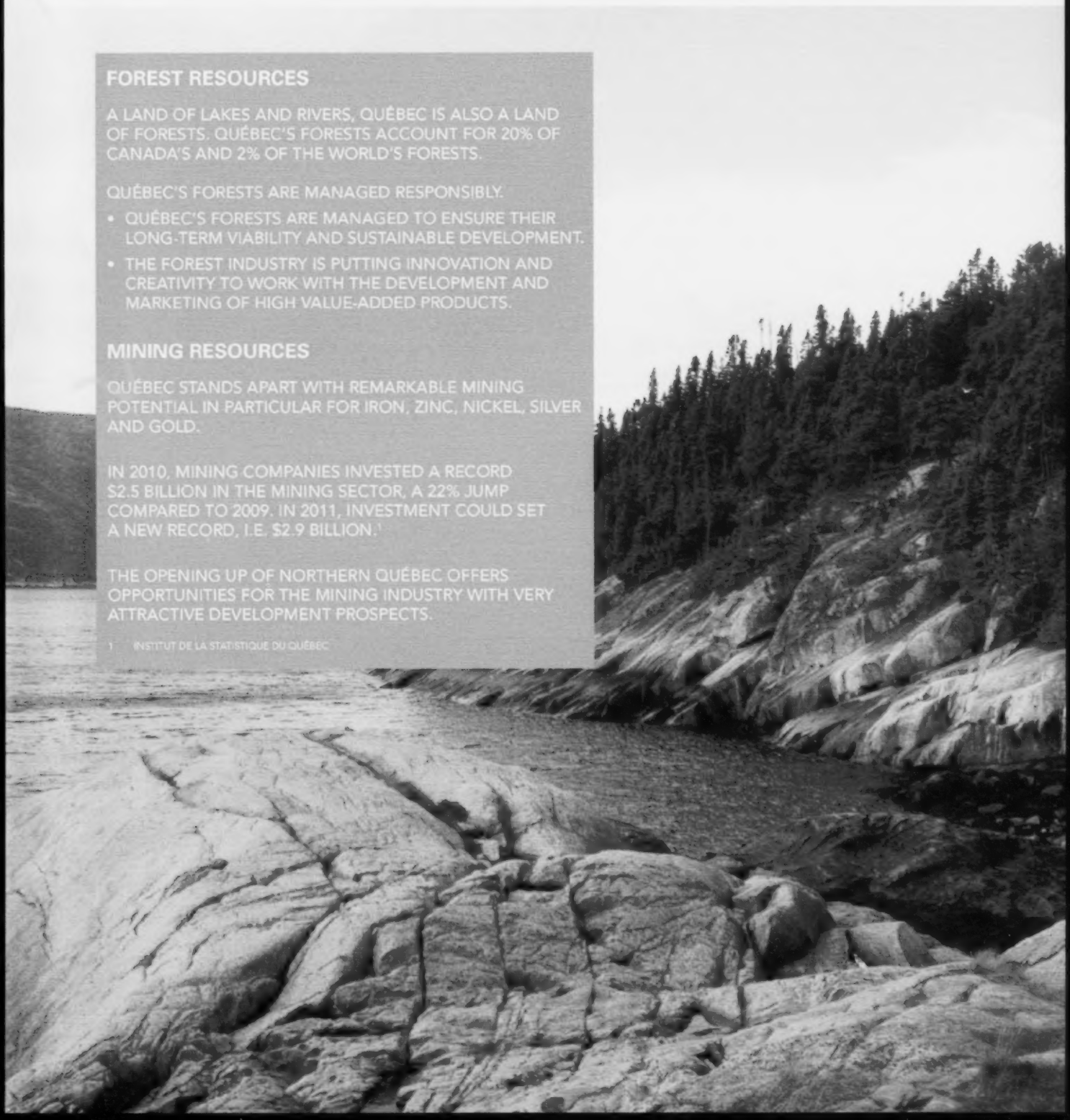
Note: The S&P GSCI index reflects movement of all commodities markets.

SOURCE: BLOOMBERG

MINING PRODUCTION IN QUÉBEC
(billions of dollars, in nominal terms)

SOURCE: STATISTICS CANADA

Natural resources account for close to one quarter of Québec's international exports.



FOREST RESOURCES

A LAND OF LAKES AND RIVERS, QUÉBEC IS ALSO A LAND OF FORESTS. QUÉBEC'S FORESTS ACCOUNT FOR 20% OF CANADA'S AND 2% OF THE WORLD'S FORESTS.

QUÉBEC'S FORESTS ARE MANAGED RESPONSIBLY.

- QUÉBEC'S FORESTS ARE MANAGED TO ENSURE THEIR LONG-TERM VIABILITY AND SUSTAINABLE DEVELOPMENT.
- THE FOREST INDUSTRY IS PUTTING INNOVATION AND CREATIVITY TO WORK WITH THE DEVELOPMENT AND MARKETING OF HIGH VALUE-ADDED PRODUCTS.

MINING RESOURCES

QUÉBEC STANDS APART WITH REMARKABLE MINING POTENTIAL IN PARTICULAR FOR IRON, ZINC, NICKEL, SILVER AND GOLD.

IN 2010, MINING COMPANIES INVESTED A RECORD $2.5 BILLION IN THE MINING SECTOR, A 22% JUMP COMPARED TO 2009. IN 2011, INVESTMENT COULD SET A NEW RECORD, I.E. $2.9 BILLION.[1]

THE OPENING UP OF NORTHERN QUÉBEC OFFERS OPPORTUNITIES FOR THE MINING INDUSTRY WITH VERY ATTRACTIVE DEVELOPMENT PROSPECTS.

1 INSTITUT DE LA STATISTIQUE DU QUÉBEC

THE PLAN NORD

The Plan Nord, the project of a generation, aims at developing Northern Québec for the benefit of Québec as a whole.

A HUGE POTENTIAL TO BE DEVELOPED SUSTAINABLY

The Plan Nord covers an immense and majestic territory of almost 1.2 million km², i.e. approximately 72% of the area of Québec. It boasts vast hydroelectric, mining and forestry potential as yet untapped. Indeed, the Québec government has launched the Plan Nord to promote the development of these natural resources.

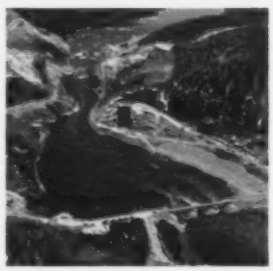
- Major investments in transportation infrastructure will be made to open up the territory and foster the emergence of new development projects.
- Prospecting activities will be undertaken to promote and attract private investment in the territory of the Plan Nord.

INVESTMENTS OF MORE THAN $80 BILLION OVER 25 YEARS

Unprecedented development is expected in this territory thanks to public and private investment that may reach almost $80 billion, supporting on average about 20 000 jobs per year for 25 years.

The Plan Nord follows a sustainable development model that will help develop the resources available in the territory while protecting the environment and ecosystems.

- To this effect, the government has undertaken to set aside 50% of the territory of the Plan Nord for non-industrial purposes, environmental protection and biodiversity conservation.



GOVERNMENT SUPPORT OF $1.6 BILLION OVER FIVE YEARS

THE FIRST FIVE-YEAR PLAN STIPULATES INITIATIVES OF $1.6 BILLION OVER FIVE YEARS, I.E.:

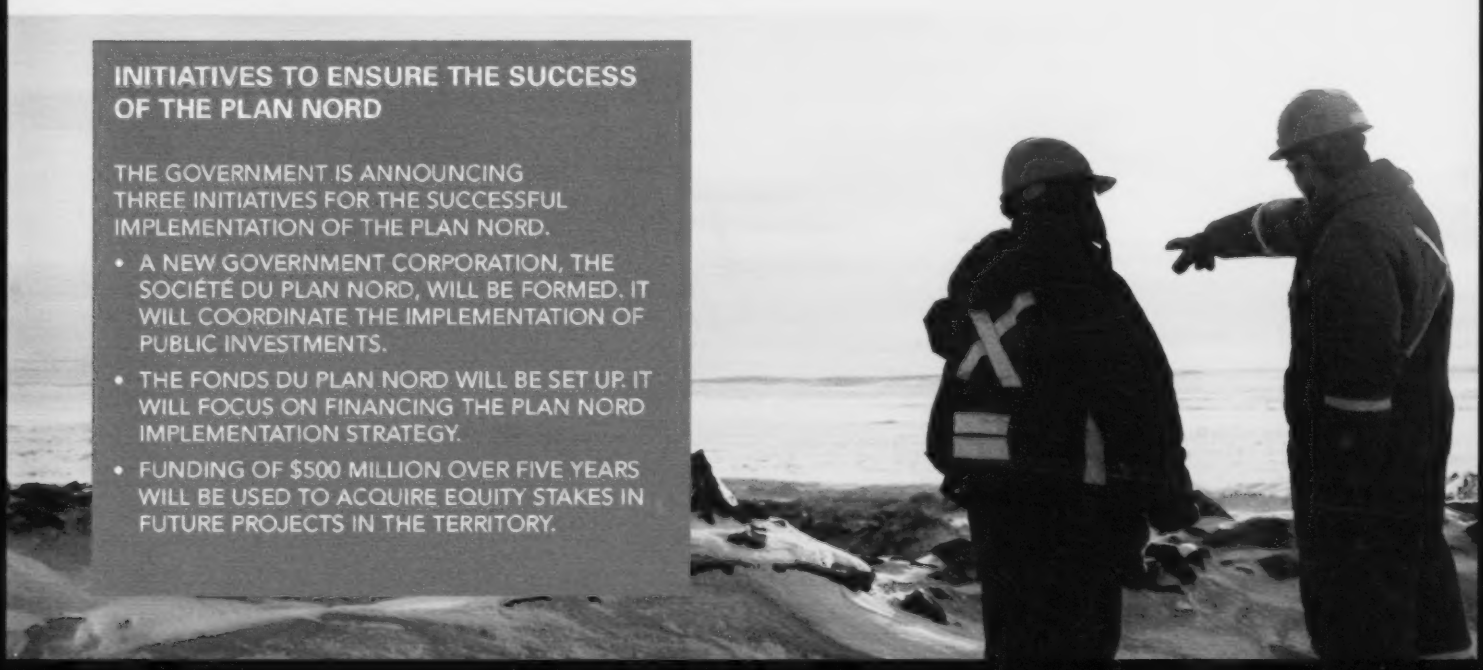
- $1 191 MILLION FOR INFRASTRUCTURE DEVELOPMENT;
- $382 MILLION FOR SOCIAL MEASURES;
- $52 MILLION TO FUND THE SOCIÉTÉ DU PLAN NORD AND PROSPECTING ACTIVITIES AMONG FOREIGN INVESTORS.

THESE INVESTMENTS WILL BENEFIT LOCAL POPULATIONS AS WELL AS ALL QUEBECERS AS A RESULT OF THE SPINOFFS OF THIS NEW SPACE OF ECONOMIC DEVELOPMENT. FUTURE GENERATIONS WILL ALSO BENEFIT FROM THE WEALTH GENERATED BY OPENING UP THE TERRITORY AND FROM THE MANY EMPLOYMENT OPPORTUNITIES OVER A PERIOD OF 25 YEARS.

INITIATIVES TO ENSURE THE SUCCESS OF THE PLAN NORD

THE GOVERNMENT IS ANNOUNCING THREE INITIATIVES FOR THE SUCCESSFUL IMPLEMENTATION OF THE PLAN NORD.

- A NEW GOVERNMENT CORPORATION, THE SOCIÉTÉ DU PLAN NORD, WILL BE FORMED. IT WILL COORDINATE THE IMPLEMENTATION OF PUBLIC INVESTMENTS.
- THE FONDS DU PLAN NORD WILL BE SET UP. IT WILL FOCUS ON FINANCING THE PLAN NORD IMPLEMENTATION STRATEGY.
- FUNDING OF $500 MILLION OVER FIVE YEARS WILL BE USED TO ACQUIRE EQUITY STAKES IN FUTURE PROJECTS IN THE TERRITORY.



HYDRO-QUÉBEC

Québec ranks fourth in the world for its hydroelectricity production.

A PILLAR IN FAVOUR OF SUSTAINABLE DEVELOPMENT IN QUÉBEC

Created in 1944, Hydro-Québec is a government corporation whose sole shareholder is the Québec government.

Hydro-Québec produces, transmits and distributes electricity. It develops essentially renewable energy, hydro-electricity in particular. It supports the development of wind power through its purchases from private producers.

For a number of years, it has promoted energy efficiency and implemented programs that produce energy savings for its customers.

In 2010, water power accounted for 98% of electricity production. This is a green and renewable source of energy with a high degree of operating flexibility and a very small greenhouse gas footprint.

HYDRO-QUÉBEC OPERATES THE MOST EXTENSIVE ELECTRICITY TRANSMISSION NETWORK IN NORTH AMERICA FOR THE BENEFIT OF ITS CUSTOMERS IN QUÉBEC AND ELSEWHERE. HYDRO-QUÉBEC'S ELECTRICITY PRODUCTION PUTS QUÉBEC IN FOURTH PLACE AMONG THE WORLD'S PRODUCERS OF HYDROELECTRICITY AND ALLOWS ELECTRICITY CONSUMERS IN QUÉBEC TO ENJOY ELECTRICITY RATES AMONG THE LOWEST IN NORTH AMERICA.

HYDRO-QUÉBEC – 2010 HIGHLIGHTS
(millions of dollars)

Income	12 338
Net earnings	2 515
Total assets	65 898
Staff level (persons)	23 659
Installed capacity (megawatts)	36 671

SOURCE: HYDRO-QUÉBEC'S 2010 ANNUAL REPORT.

Under the Québec Energy Strategy 2006-2015, Hydro-Québec is actively pursuing development of Québec's hydroelectric potential. Two major projects are underway:

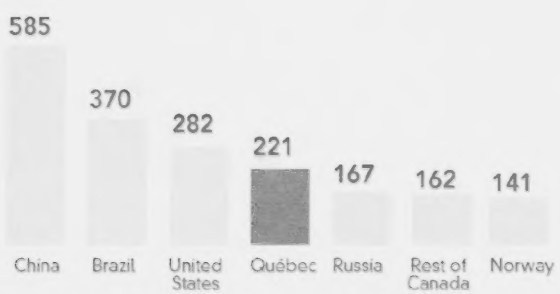
- the construction of the Eastmain-1-A and Sarcelle (918 MW) generating stations, with a construction budget of $5.0 billion;
- the construction of the La Romaine complex (1 550 MW) with planned investment of $6.5 billion.

These are the two largest construction projects in Canada. These major renewable energy projects will secure Quebecers' supply of electricity, create spare capacity to accommodate new wealth-creating businesses and consolidate Hydro-Québec's place on markets in neighbouring provinces and the northeast United States.

In 2010, Hydro-Québec completed the commissioning of the new 1 250-megawatt interconnection with Ontario that can deliver larger volumes of electricity to that province and beyond, to the State of New York and the U.S. Midwest. Also in 2010, Hydro-Québec entered into a transmission service agreement to increase Hydro-Québec's exports to New England. Construction of a new line with a capacity of 1 200 megawatts to New Hampshire should begin in 2013.

Moreover, in September 2010, Montréal hosted the 21st World Energy Congress. Hydro-Québec helped make a success of this major industry event.

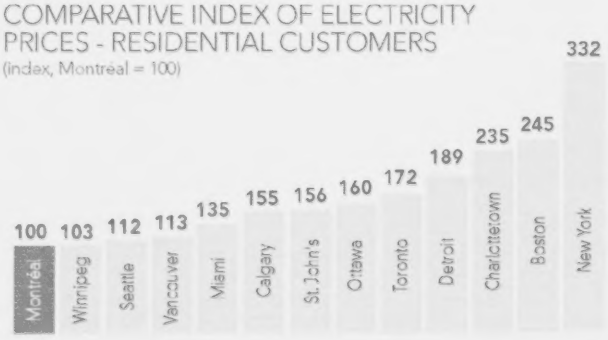
MAJOR PRODUCERS OF HYDROELECTRICITY IN THE WORLD – 2008
(TWh)



Note: Québec's production includes supplies from Churchill Falls.

SOURCES: MINISTÈRE DES RESSOURCES NATURELLES ET DE LA FAUNE DU QUÉBEC AND INTERNATIONAL ENERGY AGENCY.

COMPARATIVE INDEX OF ELECTRICITY PRICES - RESIDENTIAL CUSTOMERS
(index, Montréal = 100)



Note: Monthly invoices excluding taxes, based on consumption of 1 000 kWh/month.

SOURCE: HYDRO-QUÉBEC, COMPARISON OF ELECTRICITY PRICES IN MAJOR NORTH AMERICAN CITIES, APRIL 2010.

PUBLIC FINANCES

A GOVERNMENT DETERMINED TO MAINTAIN SOUND MANAGEMENT OF PUBLIC FINANCES

17 Responsible management of public finances

17 Keeping to the target of returning to balanced budgets

A collective effort

18 Ensure long-term funding of public services

Controlling spending

19 Diversified revenue sources

The Canadian federation

20 Infrastructure investment targets

21 The Generations Fund: a positive step for our future

21 Debt repayment: a priority for the government

Banking on water, Québec's blue gold

RESPONSIBLE MANAGEMENT OF PUBLIC FINANCES

KEEPING TO THE TARGET OF RETURNING TO BALANCED BUDGETS

For more than two years now, the Québec government has taken significant steps to support the economy, secure economic recovery and return to balanced budgets by 2013-2014. The government's strategy has produced results:

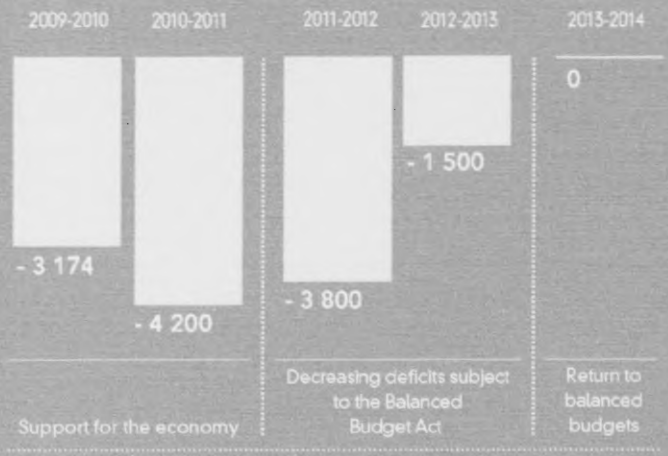
- budget deficits in Québec have been smaller than elsewhere;
- the recession has not been as deep, enabling a faster return to fiscal balance.

With economic recovery well underway, the government is keeping to the target of returning to balanced budgets and reducing the debt.

- Indeed, as stipulated in the Balanced Budget Act, the government has set decreasing deficit targets that it must achieve:
  - $3.8 billion in 2011-2012;
  - $1.5 billion in 2012-2013;
  - zero deficit in 2013-2014.

A RETURN TO BALANCED BUDGETS IN 2013-2014

(millions of dollars)



SOURCE: MINISTÈRE DES FINANCES DU QUÉBEC.

A COLLECTIVE EFFORT

IN THE 2010-2011 BUDGET, THE QUÉBEC GOVERNMENT ANNOUNCED AND IMPLEMENTED MEASURES OF THE PLAN TO RETURN TO BALANCED BUDGETS BY 2013-2014. TO DATE, MORE THAN 90% OF THE $12.2-BILLION EFFORT STIPULATED IN THE PLAN HAS BEEN IDENTIFIED.

TO KEEP ITS COMMITMENT, THE GOVERNMENT HAS IN PARTICULAR SET AN OBJECTIVE REGARDING SPENDING CONTROL AND REDUCTION OF $5.2 BILLION THAT IT WILL ACHIEVE GRADUALLY BY:

- REDUCING PUBLIC ADMINISTRATION COSTS BY $2.5 BILLION;
- REDUCING PROGRAM COSTS BY $1.0 BILLION;
- ACHIEVING SAVINGS THAT WILL REACH $1.7 BILLION THROUGH GREATER BUDGETARY DISCIPLINE.

IN THE YEARS TO COME, ALL GOVERNMENT DEPARTMENTS WILL HAVE TO CONTRIBUTE TO THE COLLECTIVE EFFORT TO RETURN TO BALANCED BUDGETS.

MOREOVER, THE GOVERNMENT HAS IMPLEMENTED MEASURES TO INCREASE ITS REVENUES, CHIEFLY:

- RISE IN THE QUÉBEC SALES TAX RATE;
- RISE IN THE FUEL TAX RATE;
- INDEXING OF NON-INDEXED FEES;
- INTENSIFICATION OF EFFORTS TO COMBAT TAX EVASION.

HOWEVER, COMPENSATORY MEASURES WILL REDUCE THE EFFECT OF THESE MEASURES ON LOW-INCOME INDIVIDUALS AND HOUSEHOLDS.

RESPONSIBLE MANAGEMENT OF PUBLIC FINANCES

ENSURE LONG-TERM FUNDING OF PUBLIC SERVICES

THE GOVERNMENT CONTINUES TO INVEST IN ITS ESSENTIAL MISSIONS, INCLUDING HEALTH AND EDUCATION.

MORE THAN 50% OF PROGRAM SPENDING, NAMELY SPENDING FOR HEALTH AND THE UNIVERSITIES, IS NOW COVERED BY MULTI-YEAR PLANNING.

- THE FINANCIAL FRAMEWORK STIPULATES 5% GROWTH IN HEALTH SPENDING UNTIL 2015-2016.
  - THIS GROWTH IS SECURED IN PARTICULAR BY THE HEALTH CONTRIBUTION, INTRODUCED IN 2010, AND PAID DIRECTLY TO HEALTH INSTITUTIONS, HELPING TO MAINTAIN THE QUALITY OF HEALTH SERVICES.
- THE BUDGET ALSO INCLUDES A SIX-YEAR FINANCIAL PLAN TO ENSURE THE EXCELLENCE OF QUÉBEC UNIVERSITIES. IN 2016-2017, THEY WILL RECEIVE $850 MILLION IN ADDITIONAL ANNUAL REVENUE, I.E. AN INCREASE OF ALMOST 25% OF THEIR BUDGET COMPARED TO TODAY.
  - THE GOVERNMENT WILL COVER HALF OF THIS INCREASE.
  - STUDENTS WILL CONTRIBUTE MORE THROUGH AN INCREASE IN TUITION FEES OF $325 PER YEAR FOR FIVE YEARS STARTING IN THE FALL OF 2012.

CONTROLLING SPENDING

Along with British Columbia, Québec is the province that has been most successful at controlling spending since 2003-2004.

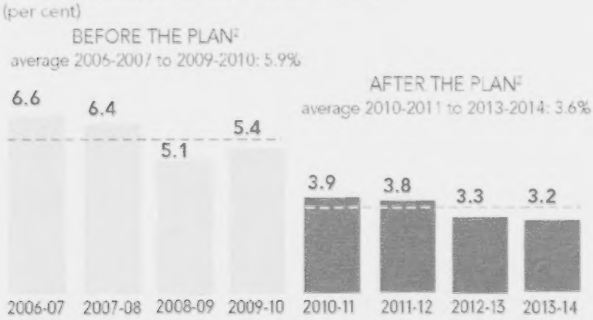
- Consolidated expenditure excluding debt service has risen by 5.1% per year on average from 2003-2004 to 2010-2011 in Québec, compared with 6.9% in the other provinces.

For the period from 2010-2011 to 2013-2014, average annual growth will be 3.6%, a significant decrease compared to the 5.9% observed from 2006-2007 to 2009-2010.

Because of the measures identified in the plan to return to fiscal balance, mainly regarding spending control, revenue will rise more quickly than spending, resulting in a gradual return to fiscal balance in 2013-2014.

GROWTH OF THE GOVERNMENT'S CONSOLIDATED EXPENDITURE[1]

(per cent)



1 Excluding debt service.
2 Plan to restore fiscal balance.

BREAKDOWN OF PROGRAM SPENDING BY GOVERNMENT DEPARTMENT – 2011-2012

The government is staying the course to restore fiscal balance by 2013-2014.

DIVERSIFIED REVENUE SOURCES

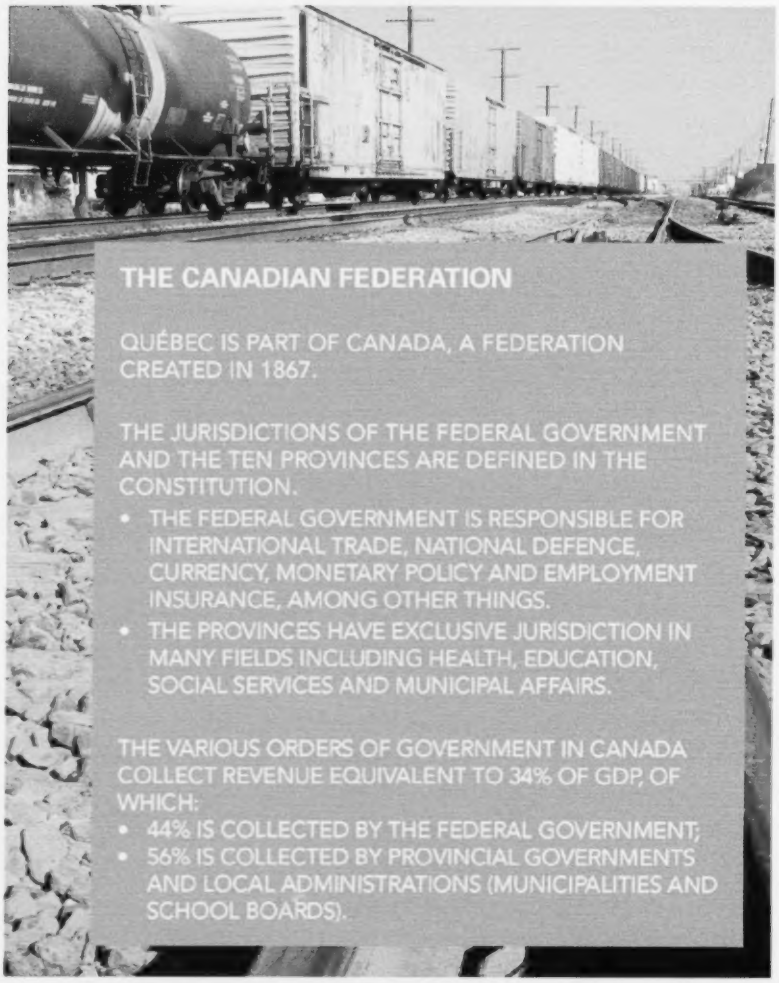
The Québec government's revenue comes from two sources:

- own-source revenue (77.0%);
- federal transfers (23.0%).

Most own-source revenue is derived from the personal income tax (37.3%) and taxes on consumption (29.6%).

In addition, Québec is one of the six provinces that receive transfer payments under the federal equalization program. These payments account for more than half of federal transfers to Québec.

- Québec and the nine other provinces also receive transfers for social programs such as health care and post-secondary education.



THE CANADIAN FEDERATION

QUÉBEC IS PART OF CANADA, A FEDERATION CREATED IN 1867.

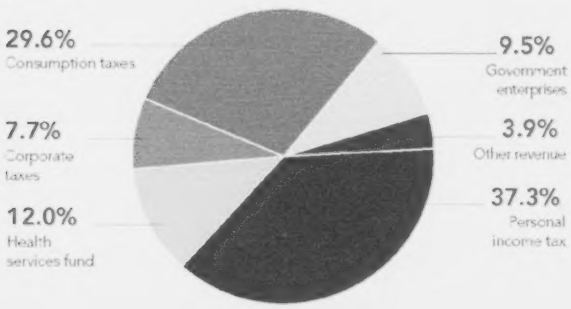
THE JURISDICTIONS OF THE FEDERAL GOVERNMENT AND THE TEN PROVINCES ARE DEFINED IN THE CONSTITUTION.

- THE FEDERAL GOVERNMENT IS RESPONSIBLE FOR INTERNATIONAL TRADE, NATIONAL DEFENCE, CURRENCY, MONETARY POLICY AND EMPLOYMENT INSURANCE, AMONG OTHER THINGS.
- THE PROVINCES HAVE EXCLUSIVE JURISDICTION IN MANY FIELDS INCLUDING HEALTH, EDUCATION, SOCIAL SERVICES AND MUNICIPAL AFFAIRS.

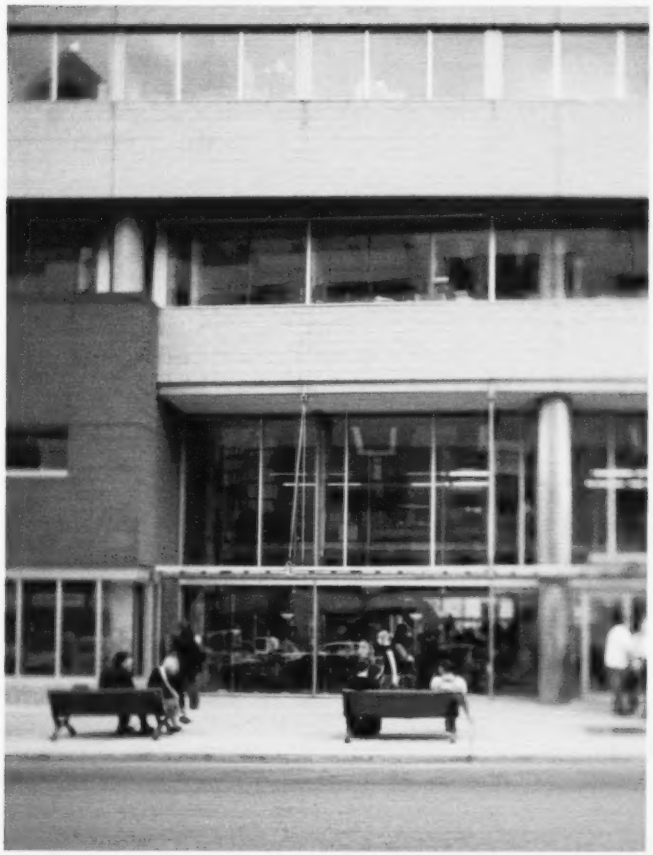
THE VARIOUS ORDERS OF GOVERNMENT IN CANADA COLLECT REVENUE EQUIVALENT TO 34% OF GDP, OF WHICH:

- 44% IS COLLECTED BY THE FEDERAL GOVERNMENT;
- 56% IS COLLECTED BY PROVINCIAL GOVERNMENTS AND LOCAL ADMINISTRATIONS (MUNICIPALITIES AND SCHOOL BOARDS).

BREAKDOWN OF THE GOVERNMENT'S OWN-SOURCE REVENUE – 2011-2012
(per cent)



FEDERAL TRANSFERS, 1980-1981 TO 2011-2012
(as a percentage of budgetary revenue)



INFRASTRUCTURE INVESTMENT TARGETS

In recent years, the government has undertaken to accelerate investment in public infrastructures to:

- ensure their rehabilitation and meet new needs;
- support the economy and employment during the recession.

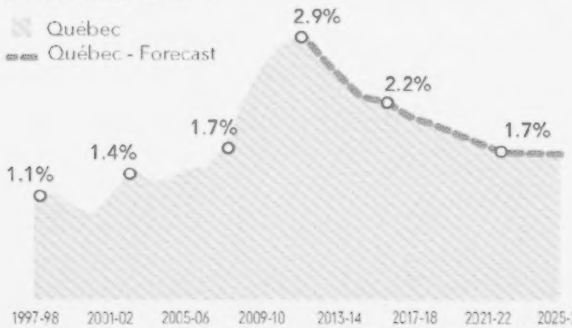
To consolidate the economic recovery, the annual amount of investment will be $9.6 billion in 2011-2012. This will allow the construction and the restoration of many roads, municipal infrastructure projects, schools and hospitals in the regions of Québec.

Subsequently, i.e. beginning in 2012-2013, the government will gradually reduce the overall envelope stipulated in the Québec Infrastructures Plan allocated for public infrastructures, while maintaining their quality.

Nonetheless, the annual investment as a percentage of GDP will remain above where it stood before 2008. This upgrading will restore the stock of public capital that prevailed more than 30 years ago.

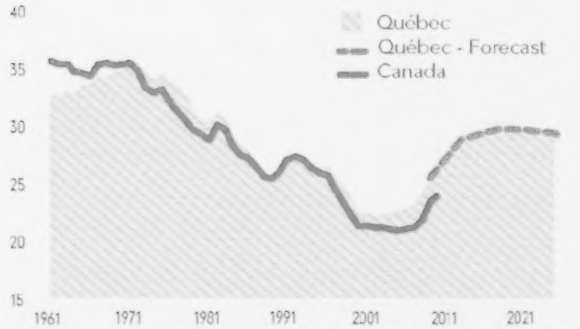
Moreover, the gradual reduction of infrastructure investment targets will result in a decrease in their weight in the economy. After hitting a peak of 2.9% in 2011-2012, government investments will gradually decline to 1.7% of GDP by 2021-2022.

ANNUAL INVESTMENTS UNDER THE QUÉBEC INFRASTRUCTURES PLAN
(as a percentage of GDP)



SOURCES : MINISTÈRE DES FINANCES DU QUÉBEC AND SECRÉTARIAT DU CONSEIL DU TRÉSOR

CHANGE IN THE STOCK OF PUBLIC CAPITAL
(as a percentage of GDP, 2002 dollars)



SOURCES : STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC

THE GENERATIONS FUND: A POSITIVE STEP FOR OUR FUTURE

DEBT REPAYMENT: A PRIORITY FOR THE GOVERNMENT

The government is reiterating its commitment to continue working to reduce the debt. In this regard, it intends to pay into the Generations Fund as of 2014-2015:

- all the amounts from the gradual rise, over five years, in the price of heritage pool electricity;
- 25% of mining, oil and gas royalties in excess of $200 million.

The ratio of debt representing accumulated deficits to GDP should be 17% in 2026 compared with 35.1% at March 31, 2011. The ratio of the gross debt to GDP should be 45% in 2026 compared with 54.7% as at March 31, 2011. These are maximum limits.

The debt/GDP objectives for 2026 are written into the Act to reduce the debt and establish the Generations Fund.

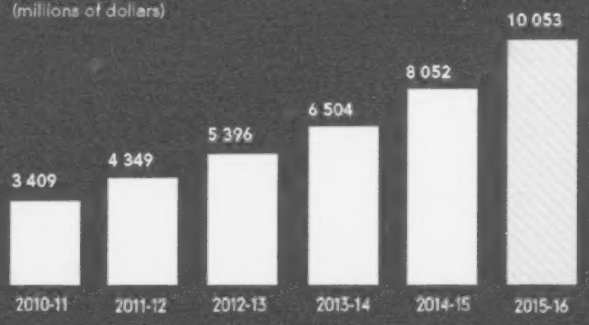
BANKING ON WATER, QUÉBEC'S BLUE GOLD

THE CHIEF SOURCE OF FINANCING FOR THE GENERATIONS FUND, CREATED IN 2006, IS ROYALTIES FROM A RESOURCE QUÉBEC HAS IN ABUNDANCE: WATER.

- IN 2010-2011, $644 MILLION IN WATER-POWER ROYALTIES WERE PAID INTO THE FUND BY HYDRO-QUÉBEC AND PRIVATE PRODUCERS OF ELECTRICITY.
- THE GRADUAL INCREASE, STARTING IN 2014-2015, OF 1 CENT PER KILOWATTHOUR IN THE PRICE OF HERITAGE POOL ELECTRICITY OVER A FIVE-YEAR PERIOD WILL RESULT IN ADDITIONAL ANNUAL REVENUE OF APPROXIMATELY $1.6 BILLION BY 2018-2019.
- THE TOTAL PAYMENTS TO THE GENERATIONS FUND, INCLUDING MONEY FROM THE PRICE RISE IN HERITAGE POOL ELECTRICITY, WILL REACH $2.0 BILLION IN 2015-2016.

GENERATIONS FUND BALANCE[P]

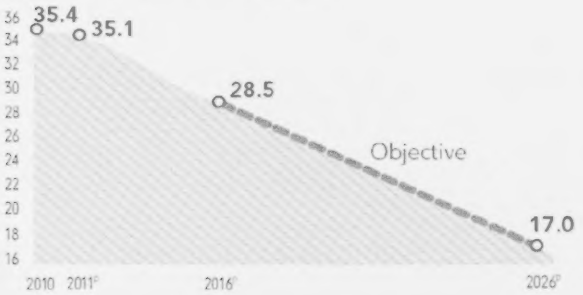
(millions of dollars)



P: Preliminary results for 2010-2011 and forecasts for subsequent years.

DEBT REPRESENTING ACCUMULATED DEFICITS

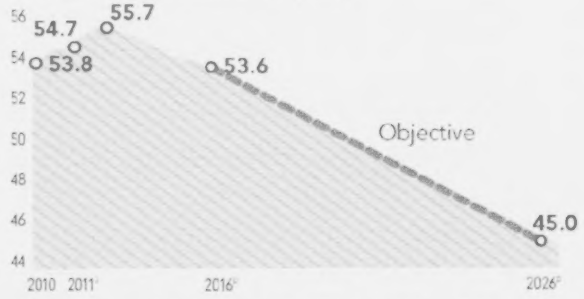
(as at March 31, as a percentage of GDP)



P: Preliminary results for 2011, forecasts for 2012 to 2016 and projections for subsequent years.

GROSS DEBT[1]

(as at March 31, as a percentage of GDP)



P: Preliminary results for 2011, forecasts for 2012 to 2016 and projections for subsequent years.
1. The gross debt takes the amounts accumulated in the Generations Fund into account.

FINANCING

A STRATEGY OF DIVERSIFYING SOURCES OF FINANCING

23 The government's financing program

24 A major issuer on the canadian market

25 A regular and recognized presence on international markets

27 Debt management

28 High credit quality

THE GOVERNMENT'S FINANCING PROGRAM

FINANCING PROGRAM[P]

(millions of dollars)

	2010-2011	2011-2012	2012-2013
CONSOLIDATED REVENUE FUND			
Net financial requirements[1,2]	3 613	5 587	2 524
Repayment of borrowings	4 324	6 728	4 512
Change in cash position	-4 283	-2 960	—
Deposits to the Retirement Plans Sinking Fund, other assets of plans and funds dedicated to employee future benefits	2 000	—	—
Transactions under the credit policy[3]	479	—	—
Pre-financing	2 960	—	—
TOTAL - Consolidated revenue fund	9 093	9 355	7 036
FINANCING FUND	5 466	4 500	4 500
Including: repayments of borrowings	1 769	542	1 264
FINANCEMENT-QUÉBEC	4 327[4]	3 500	3 500
Including: repayments of borrowings	400	1 936	1 839
TOTAL	18 886	17 355	15 036
Including: repayments of borrowings	6 493	9 206	7 615

P: Preliminary results for 2010-2011 and forecasts for subsequent years.
N.B.: A negative amount indicates a source of financing and a positive amount, a financial requirement.
1 The amounts exclude net financial requirements of consolidated entities.
2 Net financial requirements are adjusted to reflect non-receipt of Retirement Plans Sinking Fund (RPSF) and Accumulated Sick Leave Fund (ASLF) revenue.
3 Under its credit policy, which is designed to limit counterparty risk, the government made disbursements of $479 million in 2010-2011 following exchange rate movements. These payments have no effect on the debt.
4 This amount includes borrowings of $1 172 million made with Canada Mortgage and Housing Corporation (CMHC) under low-interest loan program for municipal infrastructure.

SHORT-TERM FINANCIAL INSTRUMENTS

(millions of dollars)

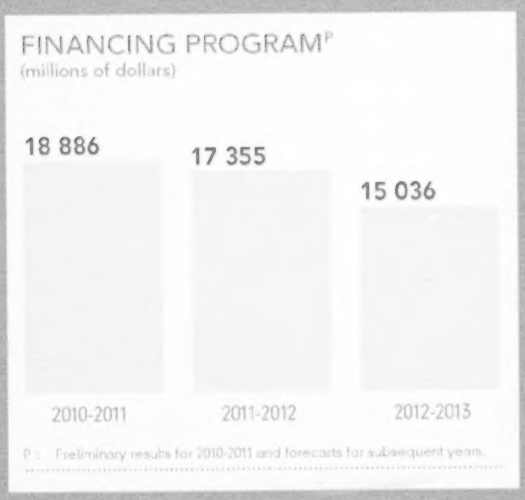
PROGRAM	US$	CAN$
Canadian market		
Discount term notes	—	5 000
Notes at par	—	1 000
American market		
Commercial paper	3 000	2 915[1]
European market		
Commercial paper	1 000	972[1]
Subtotal		9 887
Syndicated line of credit	3 500	3 401[1]
Bank lines of credit	—	1 165
TOTAL[2]		14 453

1 Translated into Canadian dollars at the March 31, 2011 exchange rate.
2 This is the amount available for all short-term instruments.

CONSOLIDATED REVENUE FUND AND FINANCING FUND

Financings are essentially used to:

- repay maturing borrowings;
- contribute to sinking funds for future payment of retirement benefits and future employee benefits to public and parapublic sector employees;
- make loans to certain entities of Québec's public sector and to certain government corporations.



FINANCEMENT-QUÉBEC

FINANCEMENT-QUÉBEC IS A GOVERNMENT-OWNED CORPORATION THAT BORROWS ON FINANCIAL MARKETS TO MEET THE NEEDS OF INSTITUTIONS OF THE HEALTH AND EDUCATION NETWORKS TO FUND THEIR CAPITAL INVESTMENTS.

- THE QUÉBEC GOVERNMENT GUARANTEES THE BORROWINGS OF FINANCEMENT-QUÉBEC.
- THESE ORGANIZATIONS THUS ENJOY LOWER BORROWING COSTS.

A MAJOR ISSUER ON THE CANADIAN MARKET

LIQUID PUBLIC OFFERINGS

Public offerings form the majority of the government's transactions on the Canadian market.

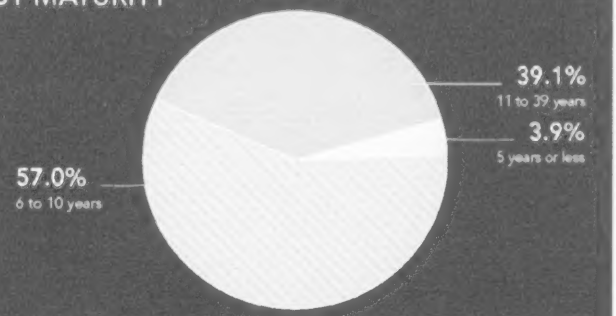
To foster the liquidity of its securities, the government sets benchmark issues and increases their size until the amount outstanding is optimal.

DIVERSIFICATION BY MATURITY

QUÉBEC BORROWS AT ALL MATURITIES ON THE CANADIAN MARKET. IN RECENT YEARS, WHERE MARKET CONDITIONS HAVE BEEN FAVOURABLE, QUÉBEC HAS FLOATED A NUMBER OF VERY LONG-TERM ISSUES. TO DATE, THE LONGEST MATURITY FOR A QUÉBEC SECURITY IS IN 2076.

IN 2010-2011, 57.0% OF BORROWINGS MADE HAD A MATURITY FROM 6 TO 10 YEARS, 39.1% FROM 11 TO 39 YEARS AND 3.9% OF 5 YEARS OR LESS.

BORROWINGS COMPLETED IN 2010-2011 BY MATURITY[P]



P: Preliminary results.

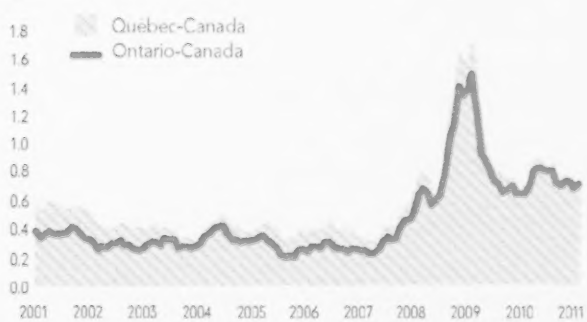
BENCHMARK ISSUES IN CANADA
(millions of dollars)

	COUPON (%)	ISSUE DATE	MATURITY DATE	OUTSTANDING
Short-term	6.00	2002	2012	2 342
	5.25	2003	2013	2 152
	5.50	2004	2014	2 500
	5.00	2005	2015	2 500
Medium-term	4.50	2006	2016	3 000
	4.50	2007	2017	4 000
	4.50	2008	2018	4 000
	4.50	2009	2019	5 000
	4.50	2010	2020	5 000
	4.25	2011	2021	2 500
Long-term	9.375	1995	2025	2 202
	6.00	1998	2029	2 737
	6.25	2000	2032	4 200
	5.75	2003	2036	4 083
	5.00	2006	2038	5 000
	5.00	2009	2041	7 000
Very long-term	5.00	2006	2051	420
	Various	2006	2056	1 500
	6.70	2006	2062	150
	Various	2009	2065	585
	6.35	2006	2065	940
	Various	2007	2076	500

YIELD ON QUÉBEC SECURITIES
(per cent)

SOURCES: IFC-BOND AND MINISTÈRE DES FINANCES DU QUÉBEC

YIELD SPREAD ON LONG-TERM 10-YEAR SECURITIES
(per cent)



SOURCE: IFC-BOND

A REGULAR AND RECOGNIZED PRESENCE ON INTERNATIONAL MARKETS

DIVERSIFICATION BY MARKET

Financing transactions are carried out regularly on major international markets, i.e. in the United States, Europe and Asia.

Large issues are floated to ensure good liquidity on the secondary market.

Over the last ten years, on average, 22% of borrowings were in foreign currencies. In 2010-2011, the Québec government carried out 8.6% of its borrowings on foreign markets.

QUÉBEC'S ACTIVITIES ON INTERNATIONAL MARKETS

Over the past 10 years, Québec has made 15 benchmark issues in US dollars and in euros:

- nine issues in US dollars for a total of US$10 billion;
- six issues in euros for a total of €8.25 billion.

Québec wants to be a regular issuer on international markets. The objective is to issue one benchmark in U.S. dollars and one in euros each year.

A LONGSTANDING PRESENCE ON INTERNATIONAL MARKETS

For more than 40 years, Quebec has borrowed regularly in Europe and Asia.

- The first borrowing in German marks occurred in 1968.
- The first borrowing in yen was in 1972.
  - Indeed, Québec was the second foreign government to borrow in yen.

It should be noted that Québec's presence on international financial markets dates back to 1874 in London and to 1879 in New York, when Québec was the first foreign borrower on that market.

MARKET	COUPON (%)	ISSUE DATE	MATURITY DATE	OUTSTANDING (millions)[1]
ISSUES IN US DOLLARS				
	4.875	2004	2014	1 000
	4.60	2005	2015	1 000
	5.00	2006	2016	1 250
	5.125	2006	2016	1 500
	4.625	2008	2018	1 000
	3.50	2010	2020	1 500
	7.50	1993	2023	1 000
	7.125	1994	2024	1 000
	7.50	1999	2029	1 500
ISSUES IN EUROS				
	4.25	2005	2015	1 000
	3.625	2005	2015	1 500
	3.375	2005	2016	1 500
	4.75	2008	2018	1 250
	5.00	2009	2019	1 500
ISSUES IN OTHER CURRENCIES				
Swiss Franc	3.50	2008	2014	250
	3.125	2009	2015	350
	2.75	2005	2015	500
	2.625	2006	2017	500
	3.375	2008	2018	250
	2.875	2009	2021	200
Yen	1.60	2001	2013	50 000
Australian $	5.75	2005	2015	450
New Zealand $	6.75	2005	2015	300
Mexican Peso	8.27	2006	2016	1 500
HK $	4.50	2007	2012	750

1. In millions of units of the currency.

DATE OF THE FIRST QUÉBEC BOND ISSUES

(by currency)

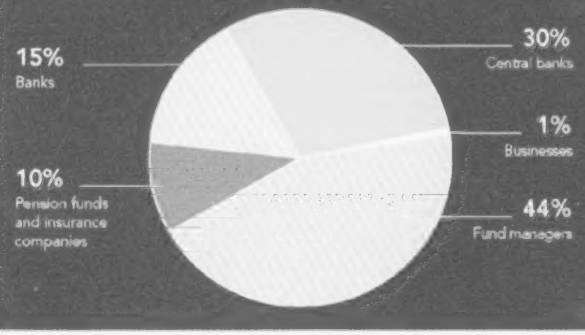
QUÉBEC'S LATEST BORROWING IN US DOLLARS

QUÉBEC'S MOST RECENT BENCHMARK ISSUE IN US DOLLARS WAS CARRIED OUT ON JULY 29, 2010. DEMAND CAME FROM MORE THAN 70 INVESTORS AND WAS SUCH TO ENABLE AN ISSUE OF US$1.5 BILLION WITH A MATURITY OF 10 YEARS.

QUÉBEC HAS NOW NINE BENCHMARK ISSUES IN THE US MARKET WITH MATURITIES RANGING BETWEEN 2014 AND 2029.

GEOGRAPHICAL BREAKDOWN OF PURCHASES OF THE JULY 2010 ISSUE

BREAKDOWN BY TYPE OF INVESTOR OF THE JULY 2010 ISSUE



DIVERSIFIED POOL OF INVESTORS

Québec holds regular meetings with investors; in the United States, Europe and Asia. This strategy, which was introduced several years ago, has enabled Québec to diversify its investor base, which is constantly expanding.

RECOGNITION BY INTERNATIONAL FINANCIAL MARKETS

The financial magazine *Euroweek* has awarded prizes to Québec for its transactions in US dollars and in euros carried out in 2001, 2002, 2003, 2005, 2008 and 2009. The International Financing Review also awarded a prize for Québec's issue in Swiss francs in 2005.

FINANCING ACTIVITIES FACILITATED IN CERTAIN COUNTRIES

Under the standards stemming from the Basel II Agreement, foreign regulatory authorities can assign a 0% risk weight coefficient to Québec securities.

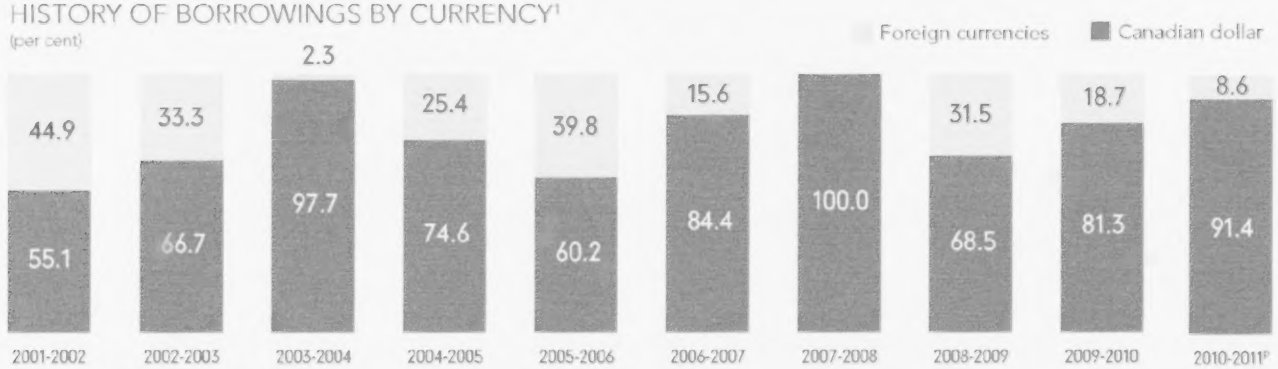
To date, Germany, Australia, Belgium, Denmark, Finland, France, Hungary, Ireland, Italy, Luxembourg, Norway, the Netherlands, the Czech Republic, the United Kingdom and Sweden have assigned a 0% risk weight coefficient to Québec securities.

EURO MARKET: QUÉBEC PRESENT FROM THE BEGINNING

- QUÉBEC WAS THE FIRST CANADIAN PROVINCE TO BORROW IN EUROS, ON JANUARY 11, 1999, I.E. 11 DAYS AFTER THE BIRTH OF THE CURRENCY.
- QUÉBEC CARRIED OUT ITS FIRST BENCHMARK ISSUE IN EUROS IN JUNE 2001. THE €1.5-BILLION ISSUE, WITH A TEN-YEAR MATURITY, MATURED IN 2011.

HISTORY OF BORROWINGS BY CURRENCY[1]

(per cent)



P: Preliminary results.
1 Borrowings of the consolidated revenue fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

DEBT MANAGEMENT

Debt management allows the government to achieve savings on debt service.

DEBT

THE GOVERNMENT'S GROSS DEBT INCLUDES THE DIRECT DEBT, AS WELL AS THE NET LIABILITIES FOR THE RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS. THE GROSS DEBT IS REDUCED BY THE AMOUNTS ACCUMULATED IN THE GENERATIONS FUND.

PRELIMINARY RESULTS SHOW THAT THE GROSS DEBT STOOD AT $173.4 BILLION AS AT MARCH 31, 2011, EQUIVALENT TO 54.7% OF GDP.

MINIMIZE COST AND RISK

The government's debt management strategy seeks to minimize the cost of the debt while limiting the risk tied to fluctuations in exchange rates and interest rates.

Borrowings are made where funds are available, at the lowest possible cost.

Interest rate and currency swaps are then used to achieve the desired debt proportions:

- by currency;
- at fixed and floating rates.

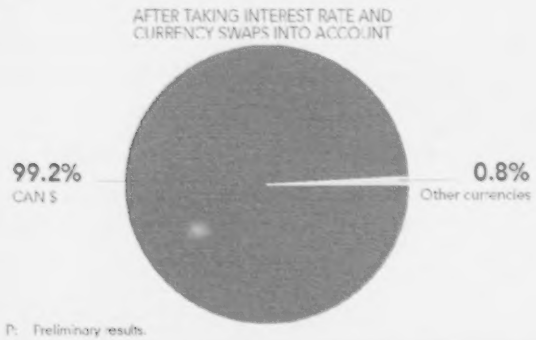
THE GOVERNMENT'S GROSS DEBT AS AT MARCH 31, 2011[P]

(billions of dollars)

Consolidated direct debt	147.7
Net liabilities for the retirement plans and employee future benefits	29.1
Less:	
Amount accumulated in the Generations Fund	-3.4
GROSS DEBT	173.4

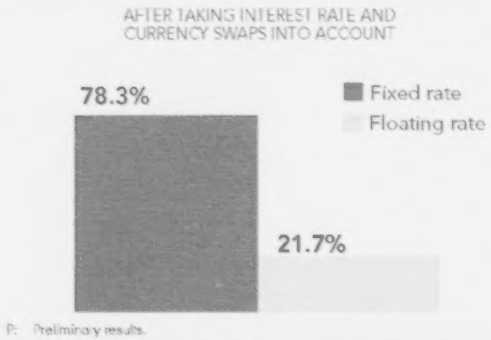
P: Preliminary results.

STRUCTURE OF GROSS DEBT BY CURRENCY AS AT MARCH 31, 2011[P]



P: Preliminary results.

STRUCTURE OF THE GROSS DEBT BY INTEREST RATE AS AT MARCH 31, 2011[P]



P: Preliminary results.

HIGH CREDIT QUALITY

COMMENTS FROM CREDIT AGENCIES

STANDARD & POOR'S – NOVEMBER 2010

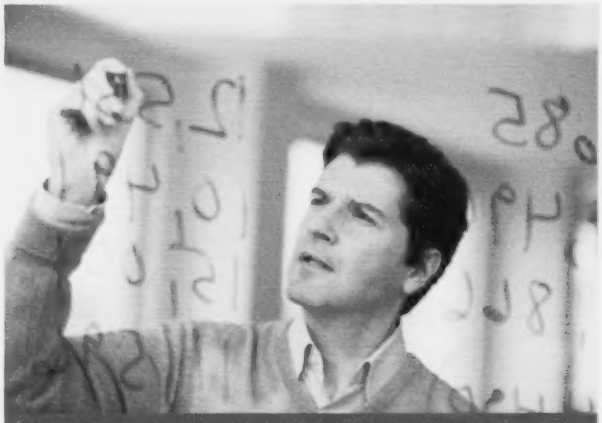
"The affirmation [of the ratings] reflects our view of the provincial economy's recovery from the recession, healthy liquidity, support from the federal government, and commitment to debt reduction."

"The province recently reiterated its commitment to the [Generations Fund] with the announcement that additional contributions will begin in fiscal 2015."

MOODY'S – SEPTEMBER 2010

"These ratings reflect the province's sustained record of generating generally balanced operations and also its large and diverse economic base, which supports growth in its own-source revenues."

"The government's resolve to carry out its balanced plan of revenue adjustments and expenditure controls is of key importance to the rating outlook."



CREDIT RATINGS

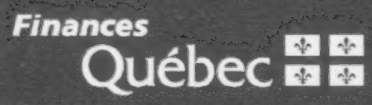
AGENCY	RATING	OUTLOOK
Moody's	Aa2	Stable
Standard & Poor's (S&P)	A+	Stable
Dominion Bond Rating Service (DBRS)	A (high)	Stable
Fitch Ratings (Fitch)	AA-	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable

A STABLE MATURITY SCHEDULE

Diversifying borrowings by maturity results in a stable refinancing schedule and ensures regular presence on financial markets. The average maturity of the debt is 11 years.

MATURITY OF THE LONG-TERM DEBT AS AT MARCH 31, 2011[P]
(millions of dollars)

P: Preliminary results.
Note: Direct debt of the consolidated revenue fund, debt contracted to make advances to the Financing Fund and debt of Financement-Québec.


Finances
Québec